

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hematite Township	County Iron
Fiscal Year End 03/31/06	Opinion Date 06/12/06	Date Audit Report Submitted to State 08/15/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

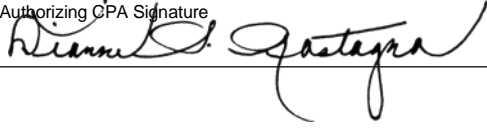
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 		Printed Name Dianne S. Rostagno, CPA	License Number A245771

HEMATITE TOWNSHIP

**Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34**

March 31, 2006

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees
Hematite Township
Amasa, Michigan 49903

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Hematite Township**, as of and for the fiscal year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

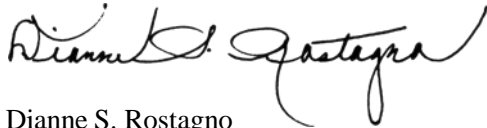
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hematite Township** at March 31, 2006, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2006 on our consideration of **Hematite Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 21 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Hematite Township's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

HEMATITE TOWNSHIP

Box 67

Unincorporated

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The management of **Hematite Township** provides this narrative overview and analysis of the financial activities of **Hematite Township** for the fiscal year ended March 31, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, Township property, public safety, public works, cemetery, culture and recreation, debt service, and capital outlay.

The business-type activity of the Township is the Water Utility service

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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains six governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Hematite Township Building Authority, both of which are considered major funds. The Cemetery, Liquor Law Enforcement, Amasa Community Library, and the Debt Service Funds are non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

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Governmental Funds (Continued)

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Funds is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund (an agency fund).

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

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Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 1,706,988 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2006, the Township reported \$ 1,408,688 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$160,401 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$688,909 and \$1,018,079, respectively.

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Government-wide Financial Analysis (Continued)

Summary of Net Assets

Following is a comparative summary of the net assets at fiscal years ended March 31, 2006 and March 31, 2005:

	March 31, 2006		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Current and other assets	\$ 184160	\$ 114554	\$ 298714
Capital assets, net	<u>587549</u>	<u>1190939</u>	<u>1778488</u>
Total Assets	\$ 771709	\$ 1305493	\$ 2077202
<u>LIABILITIES</u>			
Long-term liabilities	52800	284000	336800
Other liabilities	<u>30000</u>	<u>3414</u>	<u>33414</u>
Total Liabilities	82800	287414	370214
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	504749	903939	1408688
Reserved	20563	114140	134703
Designated	3196	0	3196
Unreserved, undesignated	<u>160401</u>	<u>0</u>	<u>160401</u>
Total Net Assets	\$ 688909	\$ 1018079	\$ 1706988

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Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	March 31, 2005		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current and other assets	\$ 189960	\$ 94298	\$ 284258
Capital assets, net	<u>626701</u>	<u>1202069</u>	<u>1828770</u>
Total Assets	\$ 816661	\$ 1296367	\$ 2113028
<u>LIABILITIES</u>			
Long-term liabilities	\$ 79800	\$ 287000	\$ 366800
Other liabilities	<u>33000</u>	<u>8208</u>	<u>41208</u>
Total Liabilities	\$ 112800	\$ 295208	\$ 408008
<u>NET ASSETS</u>			
Invested in capital assets, net of			
Related debt	\$ 513901	\$ 907069	\$ 1420970
Reserved	26421	94090	120511
Designated	190	0	190
Unreserved, undesignated	<u>163349</u>	<u>0</u>	<u>163349</u>
Total Net Assets	\$ 703861	\$ 1001159	\$ 1705020

For governmental activities, net assets decreased by \$14,952.

For business-type activities, net assets increased by \$16,920 during the current fiscal year.

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Government-wide Financial Analysis (Continued)

Following is a comparative representation of the changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2006 and March 31, 2005:

	March 31, 2006		
	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>REVENUES</u>			
<i>Program Revenues</i>			
Charges for Services	\$ 39621	\$ 59329	\$ 98950
Operating grants	3740		3740
Capital grants	0	8300	8300
<i>General Revenues</i>			
Property taxes	71190		71190
Other taxes and fees	23539		23539
Unrestricted grants	26542		26542
Other	6147	<u>8059</u>	<u>14206</u>
Total Revenues	\$ 170779	\$ 75688	\$ 246467
<u>EXPENSES</u>			
General government	\$ 40695	\$ 0	\$ 40695
Legislative	13339		13339
Township property	56151		56151
Public safety	10076		10076
Public works	7152		7152
Culture and recreation	10021		10021
Interest on long-term debt	5145		5145
Depreciation	<u>43152</u>	<u>0</u>	<u>43152</u>
Total Governmental Expenses	\$ 185731	\$ 0	\$ 185731

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Government-wide Financial Analysis (Continued)

	March 31, 2006		
	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
<u>BUSINESS-TYPE ACTIVITIES</u>			
Water	\$ 0	\$ 58768	\$ 58768
Total Business-type expenses	\$ 0	\$ 58768	\$ 58768
TOTAL EXPENSES	\$ 185731	\$ 58768	\$244499
Increase (Decrease) in net assets before transfers	(14952)	16920	1968
Transfers – net	0	0	0
Increase (Decrease) in Net Assets	(14952)	16920	1968
Net Assets, beginning of year	<u>703861</u>	<u>1001159</u>	<u>1705020</u>
Net Assets, end of year	\$ <u>688909</u>	\$ <u>1018079</u>	\$ <u>1706988</u>

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Government-wide Financial Analysis (Continued)

	March 31, 2005		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>REVENUES</u>			
<i>Program Revenues</i>			
Charges for Services	\$ 45775	\$ 139516	\$ 185291
Operating grants	4355		4355
Capital grants	126500	874700	1001200
<i>General Revenues</i>			
Property taxes	67526		67526
Other taxes	29352		29352
Unrestricted grants	26772		26772
Other	<u>13960</u>	<u>272</u>	<u>14232</u>
Total Revenue	\$ 314240	\$ 1014488	\$ 1328728
<u>EXPENSES</u>			
General government	\$ 39554	\$ 0	\$ 39554
Legislative	12179		12179
Township property	45289		45289
Public safety	22388		22388
Public works	8049		8049
Cemetery	2407		2407
Culture and recreation	9484		9484
Community development	0		0
Interest on long-term debt	6795		6795
Depreciation	<u>36121</u>	0	36121
Total governmental expenses	\$ 182266	\$ 0	\$ 182266
<u>Business-type activities:</u>			
Water	\$ <u>0</u>	\$ <u>74964</u>	\$ <u>74964</u>
Total business-type expenses	0	74964	74964
TOTAL EXPENSES	\$ 182266	\$ 74964	\$ 257230

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Government-wide Financial Analysis (Continued)

	March 31, 2005		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Increase (Decrease) in net assets Before transfers	\$ 131974	\$ 939524	\$ 1071498
Transfers – net	(53771)	53771	0
Increase (Decrease) in Net Assets	78203	993295	1071498
Net Assets, beginning of year	<u>616801</u>	<u>7864</u>	<u>624665</u>
Cumulative effect of change in accounting principle	<u>8857</u>	<u>0</u>	<u>8857</u>
Net Assets, end of year	\$ 703861	\$ 1001159	\$ 1705020

Governmental Activities

Property taxes and other tax revenues comprise \$94,729 or approximately 55 percent of total governmental revenues.

The Township also collected \$39,621 for services provided. And, at fiscal year-end, the Township reported \$26,542 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$185,731 on governmental programs and services. One of the largest expense categories was for Township property, where \$56,151, or 30 percent of total governmental expenditures occurred. Of this total for Township property, \$ 27,163 was expended for hall rental from the Hematite Township Building Authority. \$ 40,695 was expended for general government, \$43,152 for depreciation, and \$10,076, or 15 percent of total expenditures, was used for public safety.

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Business-type Activities

Business-type activities increased the Township's net assets by \$16,920. Operating revenues for the Water Utility activities for the year ended were \$59,329. Total expenses for the Water Utility activities for the year ended were \$58,768.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$184,160, of which \$ 20,563 is reserved, \$3,196 is designated for fire, and the remaining \$160,401 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance. However, the general fund has designated \$ 3,196 of its fund balance for the fire department.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues very close to both the original and the final budget projections. Expenditures were slightly more than either the original or the final budgetary appropriations. And, at fiscal year-end, the fund balance was slightly lower than the final, but slightly higher than original, budget projection.

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Governmental Funds

Revenues – Budget vs Actual for the Fiscal Year Ended March 31, 2006:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	\$ 137310	\$ 134568	\$ 137275	\$ (35)	\$ 2707

Expenditures – Budget vs Actual for the Fiscal Year Ended March 31, 2006:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual And Original Budget	Expenditures Variance Actual and Budget
General Fund	\$ 131998	\$ 135514	\$ 136300	\$ (4302)	\$ (786)

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes exceeded original and final budgetary amounts by \$6,991 and \$3,183, respectively.
- * Intergovernmental revenue was very close to the final amended budget, but considerably higher than the original budgetary projections.
- * Expenditures in total for the general fund were \$136,300, which is more than the final amended budget of \$135,514 by \$786, and \$4,302 more than the original budget. This small variance with the final amended budget was due to small variances throughout, and is not attributable to any specific governmental activity.

HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 . Fax: (906) 822-7832

TDD: (800) 649-3777

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$1,018,079. The change in net assets was a gain of \$16,920.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$587,549 and \$1,190,939, respectively. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 1,217,586, which is the largest portion of the estimated original cost of total assets. All infrastructure is accounted for in the Water Fund. There is no infrastructure attributed to the General Fund.

There were no major capital events during the current fiscal year.

Long-term debt

As of March 31, the Township had total general obligation bonded debt outstanding of \$82,800, all of which is backed by the full faith and credit of the government. This consists of \$ 25,000 for the Building Authority bonds, \$ 57,800 to UDSA (Rural Development) for the fire truck.

The Township has also issued 2004 water system revenue bonds, carrying a year-end balance of \$287,000.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation is significantly higher than the Township's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

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Other Economic Factors

Economic Factors

Despite the economic uncertainties which exist with local governments, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township has no major plans or priorities for the 2006-2007 fiscal year.

There are no significant tax rate or fee changes to be implemented for 2006-2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Hematite Township
P.O. Box 67
Amasa, Michigan 49903

BASIC FINANCIAL STATEMENTS

HEMATITE TOWNSHIP

STATEMENT OF NET ASSETS

MARCH 31, 2006

	Primary Government		
	Governmental	Business-	Total
	Activities	type	Reporting
		Activities	Entity
ASSETS			
Current Assets			
Cash and Investments (Note C)	\$ 223,173	\$ 37,506	\$ 260,679
Receivables			
Taxes	8,054	-	8,054
Accounts Receivable	-	6,457	6,457
Due from External Parties	3,570		3,570
Internal Balances	(50,637)	50,637	-
Total Current Assets	184,160	94,600	278,760
Noncurrent Assets			
Cash, Restricted	-	19,954	19,954
Capital Assets, Net (Note H)	587,549	1,190,939	1,778,488
Total Noncurrent Assets	587,549	1,210,893	1,798,442
TOTAL ASSETS	\$ 771,709	\$ 1,305,493	\$ 2,077,202
LIABILITIES			
Current Liabilities			
Accounts Payable	-	-	-
Current Portion of Long-term debt	30,000	3,000	33,000
Deferred Revenue	-	414	414
Total Current Liabilities	30,000	3,414	33,414
Long-Term Liabilities			
Bonds Payable	52,800	284,000	336,800
Total Long-term Liabilities	52,800	284,000	336,800
TOTAL LIABILITIES	\$ 82,800	\$ 287,414	\$ 370,214
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	504,749	903,939	1,408,688
Reserved for Debt Service	624		624
Reserved for Library	19,939		19,939
Reserved for Water Utility	-	114,140	114,140
Designated for Fire Department	3,196		3,196
Unreserved and Undesignated	160,401		160,401
TOTAL NET ASSETS	\$ 688,909	\$ 1,018,079	\$ 1,706,988

The notes to the financial statements are integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 40,695	\$ -	\$ -	\$ -
Legislative	13,339			
Township property	56,151	27,663		
Public safety	10,076	550	908	
Public works	7,152		2,832	
Cemetery	-	6,100		
Culture and recreation	10,021	5,308		
Interest on long-term debt	5,145			
Depreciation (Unallocated)	43,152			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	185,731	39,621	3,740	-
<u>Business-type Activities</u>				
Water	58,768	59,329		8,300
	<hr/>	<hr/>	<hr/>	<hr/>
Total Business-type Activities				

General Revenues:

Taxes:

 Property taxes levied for general operations

 Other taxes and fees

State Sales Tax Distribution

Sale of Property

Interest and Investment Earnings

Other

Total General Revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

HEMATITE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

***Net (Expense) Revenue and Changes
in Net Assets***

Governmental Activities	Business-type Activities	Total
\$ (40,695)	\$ -	\$ (40,695)
(13,339)		(13,339)
(28,488)		(28,488)
(8,618)		(8,618)
(4,320)		(4,320)
6,100		6,100
(4,713)		(4,713)
(5,145)		(5,145)
<u>(43,152)</u>		<u>(43,152)</u>
(142,370)		(142,370)
	<u>8,861</u>	<u>8,861</u>
	8,861	(133,509)
71,190		71,190
23,539		23,539
26,542		26,542
-		-
3,168	358	3,526
<u>2,979</u>	<u>7,701</u>	<u>10,680</u>
<u>127,418</u>	<u>8,059</u>	<u>135,477</u>
(14,952)	16,920	1,968
<u>703,861</u>	<u>1,001,159</u>	<u>1,705,020</u>
<u><u>\$ 688,909</u></u>	<u><u>\$ 1,018,079</u></u>	<u><u>\$ 1,706,988</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2006

	<u>General Fund</u>	<u>Building Authority</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Investments (Note C)				
Unrestricted	\$ 202,610	\$ 624	\$ 19,939	\$ 223,173
Receivables:				
Taxes	8,054			8,054
Accounts Receivable				-
Due from Other Funds	3,570			3,570
TOTAL ASSETS	<u>\$ 214,234</u>	<u>\$ 624</u>	<u>\$ 19,939</u>	<u>\$ 234,797</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	50,637	-	-	50,637
Total Liabilities	50,637	-	-	50,637
<u>Fund Balances</u>				
Reserved for Debt Service	-	624	-	624
Reserved for Library			19,939	19,939
Designated for Fire Department	3,196			3,196
Unreserved and undesignated	160,401			160,401
Total Fund Balances	163,597	624	19,939	184,160
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 214,234</u>	<u>\$ 624</u>	<u>\$ 19,939</u>	<u>\$ 234,797</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2006

Fund Balances - Total Governmental Funds	\$	184,160
---	-----------	----------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is:	869,238
Accumulated depreciation is:	(281,689)

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds Payable	(82,800)
Compensated Absences	-

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds

-

Accrued interest is not included as a liability
in governmental funds

-

Total Net Assets - Governmental Activities	\$	688,909
---	-----------	----------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

MARCH 31, 2006

	<u>General Fund</u>	<u>Building Authority</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUE</u>				
General Property taxes	\$ 71,190			\$ 71,190
Other local taxes/fees	23,539			23,539
Sale of property	-			-
Use of money and property	3,543	27,171	117	30,831
Charges for services	6,650			6,650
Miscellaneous	2,979			2,979
Intergovernmental	29,374		6,216	35,590
TOTAL REVENUE	\$ 137,275	\$ 27,171	\$ 6,333	\$ 170,779
<u>EXPENDITURES</u>				
Current Operating:				
General government	40,695	-	-	40,695
Legislative	13,339			13,339
Township property	56,151			56,151
Public safety	8,925		1,151	10,076
Public works	7,152			7,152
Cemetery	-			-
Culture and recreation	6,038		3,983	10,021
Debt Service				
Principal	-	25,000	5,000	30,000
Interest and fees	-	2,162	2,983	5,145
Capital Outlay	4,000			4,000
TOTAL EXPENDITURES	136,300	27,162	13,117	176,579
Excess (Deficiency) of Revenues Over Expenditures	975	9	(6,784)	(5,800)
Other Financing Sources (Uses)				
Operating transfers in				-
Operating transfers (out)	(8,226)		8,226	-
Residual equity transfer in	7,309		(7,309)	-
Total Other Financing Sources(Uses)	(917)	-	917	-
Net Change in Fund Balances	58	9	(5,867)	(5,800)
FUND BALANCE - BEGINNING OF YEAR	163,539	615	25,806	189,960
FUND BALANCE - END OF YEAR	\$ 163,597	\$ 624	\$ 19,939	\$ 184,160

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

GOVERNMENTAL FUNDS**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***YEAR ENDED MARCH 31, 2006***Net Change in Fund Balances - Total Governmental Funds** **\$ (5,800)**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(43,152)
Capital Outlay	<u>4,000</u>

Total	\$ (39,152)
-------	-------------

Proceeds from assets sold and reflected as revenue in the governmental funds, but removed from the net capital assets on the statement of net assets	-
---	---

Gain on sale of assets, reflected in the proceeds from assets sold in the governmental funds, but removed from net capital assets on the statement of net assets	-
--	---

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	30,000
---	--------

Increases Decreases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

Eliminate interfund transfers to non-governmental funds

Change in Net Assets of Governmental Activities **\$ (14,952)**

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF FUND NET ASSETS - ENTERPRISE FUND

MARCH 31, 2006

	<u>Water Fund</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash, Unrestricted	\$ 37,506
Accounts Receivable, Net	6,457
Due from External Parties	-
Internal Balances	<u>50,637</u>
Total Current Assets	94,600
<i>Non-current Assets</i>	
Cash, Restricted	19,954
Capital Assets:	
Equipment	2,715
Infrastructure	1,217,586
Less:	
Allowance for depreciation	<u>(29,362)</u>
Total Capital Assets, net	1,190,939
Total Non-current Assets	1,210,893
TOTAL ASSETS	\$ 1,305,493
<u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Accounts payable	-
Deferred revenues	414
Current portion of long-term debt	<u>3,000</u>
Total Current Liabilities	3,414
<i>Long-Term Liabilities</i>	
Long-Term Debt	284,000
Total Long-Term Liabilities	<u>284,000</u>
TOTAL LIABILITIES	287,414
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	903,939
Reserved	114,140
Unreserved, undesignated	<u>-</u>
TOTAL NET ASSETS	<u>\$ 1,018,079</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ENTERPRISE FUND

MARCH 31, 2006

	<u>Water Fund</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 67,030
TOTAL OPERATING REVENUES	\$ 67,030
<u>OPERATING EXPENSES</u>	
Personal Services and Benefits	6,276
Contractual Services	-
Water Purchase	7,155
Repairs and Maintenance	7,302
Other Supplies and Expenses	5,526
Depreciation	19,419
TOTAL OPERATING EXPENSES	\$ 45,678
Operating Income (Loss)	21,352
<u>Non-Operating Revenues</u>	
Federal Grant-Water System Construction	8,300
Interest Revenue	358
Total Non-Operating Revenues	8,658
<u>Non-Operating Expenses</u>	
Interest Expense	(13,090)
Total Non-Operating Expenses	(13,090)
Change in Net Assets	16,920
NET ASSETS - BEGINNING OF YEAR	<u>1,001,159</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,018,079</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CASH FLOWS - ENTERPRISE FUND*FISCAL YEAR ENDED MARCH 31, 2006***CASH FLOWS FROM (USED BY)****OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 60,063
Other operating revenues	7,701
Cash payments to employees for services	(6,276)
Cash payments to goods and services	(19,983)
Other operating expenses	<u>-</u>

NET CASH FROM OPERATING ACTIVITIES	\$ 41,505
---	------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	3,249
Net operating transfers in (out)	<u>-</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	3,249
---	--------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(8,289)
Principal payment on long-term bonds	(8,000)
Interest paid on long-term bonds	(13,090)
Cost of Issuance - Bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	<u>8,300</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (21,079)
--	--------------------

INVESTING ACTIVITIES

Interest Income	<u>358</u>
-----------------	------------

NET CASH FROM INVESTING ACTIVITIES	\$ 358
---	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,033
---	---------------

Cash and Cash Equivalents, Beginning of Year	<u>33,427</u>
--	---------------

Cash and Cash Equivalents, End of Year	\$ 57,460
---	------------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income \$ 21,352

Adjustment to reconcile operating
income to net cash provided by
operating activities:

. Depreciation 19,419

. Provision for uncollectible accounts -

. Changes in assets and liabilities :

(Increase) Decrease in accounts receivable 528

Increase (Decrease) in accounts payable -

Increase (Decrease) in deferred revenue 206

Increase (Decrease) in customer deposits -

NET CASH FROM OPERATING ACTIVITIES \$ 41,505

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

FIDUCIARY FUND**STATEMENT OF FIDUCIARY NET ASSETS***MARCH 31, 2006*

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 69,132</u>
TOTAL ASSETS	\$ 69,132
<u>LIABILITIES</u>	
Due to Other Funds	3,570
Due to Other Governmental Units	<u>65,562</u>
TOTAL LIABILITIES	\$ 69,132
<u>NET ASSETS</u>	
Unrestricted	<u>-</u>
TOTAL NET ASSETS	\$ -

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by **Hematite Township**, Amasa, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Township was organized in 1891 and covers an area of 99000 acres. The Township operates under an elected board of commissioners (5 people) and provides services to its approximately 352 residents in many areas including law enforcement, general administration and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of the Hematite Township Building Authority are included in the financial statements of the Township.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

The Hematite Township Building Authority is blended as part of the primary government because its sole purpose is to finance and construct **Hematite Township's** public buildings.

HEMATITE TOWNSHIP BUILDING AUTHORITY

The Hematite Township Building Authority was created by the Township Board of **Hematite Township** as a separate entity.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEMATITE TOWNSHIP BUILDING AUTHORITY
(Continued)

The Articles of Incorporation were adopted by the Township Board on June 27, 1996 under the provisions of Act 31, Public Acts of Michigan, 1948 for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, parking lots or structures, recreational facilities, stadiums, and the necessary sites, and for any and all other purposes authorized and permitted by Act 31.

The Authority is governed by a three member commission consisting of the Chairman, Secretary, and Treasurer.

The Authority entered into an agreement to borrow \$200,000 to be used for the construction of a new Township Hall through the issuance of general obligation limited tax bonds.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEMATITE TOWNSHIP BUILDING AUTHORITY
(Continued)

The bonds are secured by a legal agreement with **Hematite Township** and will be retired through lease payments with the Township.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

***Government-wide financial statements
(Continued)***

Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules (Continued)

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency).

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

For reporting purposes, the General Fund is always considered to be a major fund.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Liquor Law Enforcement, Amasa Community Library Fund* and *Cemetery Fund* are *Special Revenue Funds*. All three *Special Revenue Funds* are considered non-major funds for reporting purposes.

During the fiscal year ended March 31, 2006, the Township eliminated the Cemetery Fund with a residual equity transfer to the General Fund. This was done due to the fact that the cemetery activities are neither significant nor material to the Township. Cemetery activities are now being reported as a separate activity within the General Fund.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service fund is a non-major fund for reporting purposes. The Hematite Township Building Authority has been included as a Debt Service Fund type. The governmental funds use the modified accrual basis of accounting. For reporting purposes, the Hematite Township Building Authority is a major fund.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS (Continued)

Enterprise Funds (Continued)

The Township's *Water Fund* is a *Proprietary Fund*.

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's *Current Tax Collection Fund* (Agency Fund) is a *Fiduciary Fund*. Agency funds are custodial in nature and do not involve measurement of results of operations.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS (Continued)

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus.

With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS (Continued)

These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY (Continued)

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments, July 01 and December 01. Property taxes are declared delinquent the following March 01, when they become a lien. The Township bills and collects its own property taxes and also collects taxes for the school district, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 01 of each year.

The 2005 taxable valuation of the Township totaled \$11,901,187, on which ad valorem taxes levied consisted of 5.9822 mills for general operating purposes.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings..... 20 - 30 years

Infrastructure..... 10 - 65 years

Furniture and Other

Equipment..... 5 - 20 years

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick leave benefits.

POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the inter-fund receivables and payables as of March 31, 2006 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General	\$ 3570	\$ 50637
Trust and Agency	0	3570
Water Fund	<u>50637</u>	<u>0</u>
Totals	\$ <u>54207</u>	\$ <u>54207</u>

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

INTER-FUND RECEIVABLES AND PAYABLES

(Continued)

At March 31, 2006, the Trust and Agency (Tax Collection) Fund held monies collected for the General Fund.

The General Fund owed the Water Fund monies resulting from a transfer for the Township contribution relating to the Water System Improvement Project.

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year ended March 31, 2006, the Township authorized the following transfers:

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 8226
Liquor Law Enforcement Fund	243	0
Amasa Community Library Fund	0	0
Debt Service Fund	<u>7983</u>	<u>0</u>
Total Operating Transfers	\$ 8226	\$ 8226

The General Fund transferred funds to support the operation of other funds for the benefit of all Township residents.

Residual Equity Transfer

The Cemetery Fund made a residual equity transfer to the General Fund to close the fund. Cemetery activities are now reported as a separate activity within the General Fund.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

2004 WATER REVENUE BOND

The bonding ordinance for **Hematite Township** 2004 Water Revenue Bond requires certain cash balances be reserved, as follows:

BOND AND INTEREST REDEMPTION FUND

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments on the bonds.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

BOND AND INTEREST REDEMPTION FUND

(Continued)

On March 31, 2006, the Township was required to have a balance of \$ 5,479. The actual balance was \$ 14,710.

The Township was in compliance with this requirement.

RESERVE ACCOUNT

Beginning September 01, 2004, there shall be withdrawn from the Receiving Fund at the beginning of each fiscal year quarter and set aside in and transferred to the Bond Reserve Account, after provision has been made for the Operation and Maintenance Account and the current requirements of the Bond and Interest Redemption Account, the sum of at least \$412.50 per quarter (\$ 1,650 annually) until there is accumulated in such fund the sum of \$ 16,500.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

RESERVE ACCOUNT (Continued)

The monies in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Bond as to which there would otherwise be default.

The required balance on March 31, 2006 was \$ 2,475. The actual balance was \$ 2,888.

The Township was in compliance with this requirement.

**REPAIR, REPLACEMENT, AND IMPROVEMENT
ACCOUNT**

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the system, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the system, (c) acquiring and constructing extensions and improvement to the system, and (d) when necessary, for the purpose of making payments of principal and interest on the Bond.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

**REPAIR, REPLACEMENT, AND IMPROVEMENT
ACCOUNT**

(Continued)

If the amount in the Bond and Interest Redemption Account and the Bond Reserve Account is not sufficient to pay the principal of and interest on the bond when due, the monies in the RRI Account shall be transferred to the Bond and Interest Redemption Account and used for that purpose.

Beginning September 01, 2004, revenues shall be transferred each quarter of the fiscal year from the Receiving Fund and deposited in the RRI Account in an amount not less than \$745.75, less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the Bond.

The required balance of this account on March 31, 2006 was \$1,333. The actual balance was \$ 2,356.

As of March 31, 2006, the Township was in compliance with the above funding requirements.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT

On March 31, 2006, the carrying value of the Township's deposits (Primary Government) was \$ 349,765 and is comprised of cash and deposits reflected in the following funds:

<i>Governmental Funds</i>	
General Fund	\$ 202610
Amasa Community Library	19939
Debt Service	0
Building Authority	<u>624</u>
<i>Total Governmental Funds</i>	223173
<i>Enterprise Funds</i>	
Water Fund	<u>57460</u>
<i>Total Enterprise Funds</i>	57460
<i>Fiduciary Funds</i>	
Tax Collection Fund	<u>69132</u>
<i>Total Fiduciary Funds</i>	69132
TOTAL PRIMARY GOVERNMENT	\$ 349765

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3

Deposits which are not collateralized or insured.

Based on these levels of risk, the Township's cash deposits
(Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	<u>Totals</u>
Cash and Deposits	\$ 250213	\$ -0-	\$ 99552	\$ 349765

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with it's investment policy.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE D - PENSION PLAN

The Township maintains a fully funded pension plan for its full-time employees and trustees through Met Life. The contribution for the year ended March 31, 2006 was \$ 5,431 of which \$ 2,658 was contributed through payroll withholding. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of March 2006, the value of account balances was \$ 45,473.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

The approved budgets of **Hematite Township** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

The total actual 2005-2006 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 4,243 contrary to the provisions of section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
<u>General Fund</u>			
Capital Outlay	\$ 4000	\$ 0	\$ 4000
Transfer Out	8226	7983	243

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2006, the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2006:

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance March 31, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance March 31, 2006</u>
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	132	4000	0	4132
Total Capital Assets Not Being Depreciated	\$ 132	\$ 4000	\$ 0	\$ 4132
<u>Other Capital Assets</u>				
Land Improvements	2962			2962
Buildings	406278			406278
Furniture & Other Equip.	455866	0	0	455866
Total Other Cap. Assets	\$ 865106	\$ 0	\$ 0	\$ 865106
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(814)	(148)		(962)
Buildings	(57666)	(8125)	0	(65791)
Furniture & Other Equip.	(180058)	(34879)	0	(214937)
Total Accum. Depreciation	(238538)	(43152)	0	(281690)
Other Capital Assets, Net	626568	(43152)	0	583416
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>626700</u>	\$ <u>(39152)</u>	\$ <u>0</u>	\$ <u>587548</u>

Depreciation was charged to governmental functions as
unallocated.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2006:

<u>BUSINESS-TYPE ACTIVITIES</u>	Balance March 31, 2005	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2006
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Capital Assets:</u>				
Machinery and Equipment	2715	9	0	2715
Water Mains/Lines	<u>1209297</u>	<u>8289</u>	<u>0</u>	<u>1217586</u>
Total Capital Assets	\$ 1212012	\$ 8289	\$ 0	\$ 1220301

(Continued on page 91)

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance March 31, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2006</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (612)	\$ (467)	0	\$ (1079)
Water Mains/Lines	<u>(9331)</u>	<u>(18952)</u>	<u>0</u>	<u>(28283)</u>
Total Accumulated Depreciation	<u>(9943)</u>	<u>(19419)</u>	<u>0</u>	<u>(29362)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>1202069</u>	\$ <u>(11130)</u>	\$ <u>0</u>	\$ <u>1190939</u>

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE I - LONG-TERM DEBT

	<u>March 31,</u> <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>March 31,</u> <u>2006</u>
Building Authority Bonds Payable	\$ 50000	\$	\$ 25000	\$ 25000
USDA Rural Development Notes Payable	62800		5000	57800
2004 Water System Revenue Bonds	<u>295000</u>	<u>0</u>	<u>8000</u>	<u>287000</u>
Total	\$ 407800	\$ 0	\$ 38000	\$ 369800

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE I - LONG-TERM DEBT (CONTINUED)

TOWNSHIP OF HEMATITE BUILDING AUTHORITY

On October 01, 1996, the Township of Hematite Building Authority issued a 1996 Building Authority Bond (General Obligation Limited Tax).

The bond is one of a total authorized issue of bonds of even Date of Original Issue aggregating the principal sum of \$ 200,000, issued under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 31, and pursuant to the Resolution duly adopted by the Commission of the Authority for the purpose of paying the cost of acquiring, constructing, and equipping a building to be used by the Township to house a library, meeting room, and fire department.

The payments required to amortize this debt are as follows:

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE I - LONG-TERM DEBT (CONTINUED)

TOWNSHIP OF HEMATITE BUILDING AUTHORITY
(Continued)

<u>Year Ending</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 25000.00	\$ 1450.00	\$ 26450.00
	<hr/>	<hr/>	<hr/>
	\$ 25000.00	\$ 1450.00	\$ 26450.00

USDA/RURAL DEVELOPMENT

On April 17, 2002, the Township was awarded a loan/grant from the United States Department of Agriculture/Rural Development for the purpose of purchasing and equipping a fire truck. The Township received a grant in the amount of \$40,000, a loan in the amount of \$77,800, with Township matching funds of \$50,000, for the total project cost of \$167,800.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE I - LONG-TERM DEBT (CONTINUED)

USDA/RURAL DEVELOPMENT (Continued)

The note bears interest at the rate of 4.75%, and is payable on April 01 and October 01 of each year. Principal payments are due on April 01 in the amount of \$ 5,000 from 2003 through 2014; in the amount of \$ 6,000 on April 01, 2015 and 2016, and on April 01, 2017 in the amount of \$ 6,800, when the note matures.

2004 WATER REVENUE BONDS PAYABLE

On June 08, 2004 the Township approved the issuance of Water Supply Revenue Bonds in the amount of \$ 295,000 for the purposes of acquisition, construction, furnishing and equipping of improvements and extensions to the existing Water Supply System.

Water Supply System Bonds mature annually on July 01 of each year through July 01, 2044. Interest is payable semi-annually on January 01 and July 01 of each year at a rate of 4.50% per annum.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE I - LONG-TERM DEBT (CONTINUED)

2004 WATER REVENUE BONDS PAYABLE (Continued)

Scheduled payments of principal and interest are as follows:

	<u>July 01</u>		<u>January 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3000	\$ 6457	\$ 0	\$ 9457
2007	3000	6390	6390	15780
2008	3000	6322	6322	15644
2009	3000	6255	6255	15510
2010	3000	6187	6187	15374
2011	4000	6120	6120	16240
2012	4000	6030	6030	16060

(Continued on page 97)

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE I - LONG-TERM DEBT (CONTINUED)

2004 WATER REVENUE BONDS PAYABLE (Continued)

(Continued from previous page)

	<u>July 01</u>		<u>January 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2013-2017	\$ 21000	\$ 28801	\$ 28801	\$ 78602
2018-2022	27000	26191	26191	79382
2023-2027	33000	22882	22882	78764
2028-2032	42000	18765	18765	79530
2033-2037	51000	13680	13680	78360
2038-2042	64000	7358	7358	78716
2043-2044	<u>26000</u>	<u>832</u>	<u>832</u>	<u>27664</u>
Totals	\$ 287000	\$ 162270	\$ 155813	\$ 605083

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE J - SEGMENT INFORMATION - Enterprise Funds

	<u>Water Fund</u>
Operating Revenues	\$ 67030
Depreciation and Amortization Expense	19419
Operating Income or (Loss)	21352
Operating Grants, Entitlements, and Shared Revenues	0
Operating Transfers:	
In	0
(Out)	0
Tax Revenues	0
Net Income or Loss	16920
Current Capital:	
Contributions	0
Transfers	0
Property, Plant, and Equipment	
Additions	8289
Deletions	0

(Continued on page 99)

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

(Continued from previous page)

	<u>Water Fund</u>
Net Working Capital	\$ 94186
Total Assets	1305493
Bonds and Other Long-Term Liabilities	
Payable from Operating Revenues	287414
Payable from Other Sources	0
Total Equity	1018079

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

NOTE L - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2006, there were no subsequent events that would have a significant affect on the Township's operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies to be reported for the Township for the fiscal year ended March 31, 2006.

REQUIRED SUPPLEMENTAL INFORMATION

HEMATITE TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
General Property Taxes	\$ 67,782	\$ 71,590	\$ 71,190
Other Local Taxes	19,956	19,956	23,539
Fire Protection Agreement	2,000	550	550
Sale of Property	-	-	-
Use of Money and Property	3,450	3,700	3,543
Cemetery Revenue	2,300	6,100	6,100
Miscellaneous	2,000	3,000	2,979
Intergovernmental	<u>39,822</u>	<u>29,672</u>	<u>29,374</u>
TOTAL REVENUES	\$ 137,310	\$ 134,568	\$ 137,275
<u>EXPENDITURES</u>			
Legislative	8,670	14,508	13,339
General Government	42,084	41,425	40,695
Township Property	46,745	56,534	56,151
Public Works	7,851	7,292	7,152
Public Safety	21,142	9,370	8,925
Recreation and Cultural	5,506	6,385	6,038
Capital Outlay	<u>-</u>	<u>-</u>	<u>4,000</u>
TOTAL EXPENDITURES	\$ 131,998	\$ 135,514	\$ 136,300
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,312	(946)	975
<u>OTHER FINANCING SOURCES (USES)</u>			
Residual Equity Transfer In		-	7,309
Operating Transfers In	2,388	10,000	
Operating Transfers (Out)	<u>(7,700)</u>	<u>(7,983)</u>	<u>(8,226)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(5,312)	2,017	(917)
NET CHANGE IN FUND BALANCE	-	1,071	58
FUND BALANCE, APRIL 1	<u>163,539</u>	<u>163,539</u>	<u>163,539</u>
FUND BALANCE, MARCH 31	<u>\$ 163,539</u>	<u>\$ 164,610</u>	<u>\$ 163,597</u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

HEMATITE TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2006

	<u>Cemetery Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Amasa Community Library</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Investments (Note C)	\$ -	\$ -	\$ 19,939	\$ -	\$ 19,939
TOTAL ASSETS	\$ -	\$ -	\$ 19,939	\$ -	\$ 19,939
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
<u>FUND BALANCES</u>					
Reserved for Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for Library			19,939		19,939
Reserved for Debt Service				-	-
Reserved for Liquor Law Enforcement	-	-	-	-	-
TOTAL FUND BALANCES	\$ -	0	\$ 19,939	0	\$ 19,939

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>Cemetery Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Amasa Community Library</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<u>REVENUE</u>					
Sale of property	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property			117		117
Charges for services					-
Intergovernmental		908	5,308		6,216
TOTAL REVENUE	\$ -	\$ 908	\$ 5,425	\$ -	\$ 6,333
<u>EXPENDITURES</u>					
Current:					
Public safety	\$ -	\$ 1,151	\$ -	\$ -	\$ 1,151
Cemetery					-
Culture and recreation			3,983		3,983
Debt Service					
Principal				5,000	5,000
Interest and Fees				2,983	2,983
TOTAL EXPENDITURES	\$ -	\$ 1,151	\$ 3,983	\$ 7,983	\$ 13,117
Excess (Deficiency) of Revenues Over Expenditures	-	(243)	1,442	(7,983)	(6,784)
<u>Other Financing Sources (Uses)</u>					
Operating transfers in	-	243		7,983	8,226
Operating transfers out	-	-	-	-	-
Residual Equity transfer out	(7,309)				(7,309)
Total Other Financing Sources (Uses)	(7,309)	243	-	7,983	917
Net Change in Fund Balances	(7,309)	-	1,442	-	(5,867)
FUND BALANCE - BEGINNING OF YEAR	7,309	-	18,497	-	25,806
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>0</u>	<u>\$ 19,939</u>	<u>0</u>	<u>\$ 19,939</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

MARCH 31, 2006

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	AMASA COMMUNITY LIBRARY	TOTALS
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ 19,939	\$ 19,939
TOTAL ASSETS	\$ -	\$ -	\$ 19,939	\$ 19,939
<u>FUND EQUITY</u>				
Fund Balance	-	-	19,939	19,939
TOTAL FUND EQUITY	\$ -	\$ -	\$ 19,939	\$ 19,939

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
EQUITY - ALL SPECIAL REVENUE FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>AMASA COMMUNITY LIBRARY</u>	<u>TOTALS</u>
<u>REVENUES</u>				
<u>Local Sources</u>				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Sale of Lots	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Sources	-	-	-	-
<u>State Sources</u>				
State Grants	-	908	-	908
Penal Fines	-	-	5,308	5,308
	<hr/>	<hr/>	<hr/>	<hr/>
Total State Sources	-	908	5,308	6,216
<u>Other Sources</u>				
Interest Income	-	-	117	117
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Sources	-	-	117	117
TOTAL REVENUES	\$ -	\$ 908	\$ 5,425	\$ 6,333
<u>EXPENDITURES</u>				
Cemetery	-	-	-	-
Public Safety	-	1,151	-	1,151
Library	-	-	3,983	3,983
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ -	\$ 1,151	\$ 3,983	\$ 5,134
Excess of Revenues Over (Under) Expenditures	-	(243)	1,442	1,199
<u>OTHER FINANCING SOURCES (USES)</u>				
Residual Equity Transfer (Out)	(7,309)	-	-	-
Operating Transfers In (Out)	-	243	-	243
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,309)	-	1,442	(5,867)
FUND BALANCE, APRIL 1	7,309	-	18,497	25,806
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, MARCH 31	\$ -	\$ -	\$ 19,939	\$ 19,939
	<hr/>	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUND TYPES*MARCH 31, 2006*

	DEBT SERVICE FUND	HEMATITE TOWNSHIP BUILDING AUTHORITY	TOTALS
<u>ASSETS</u>			
Cash	\$ -	\$ 624	\$ 624
TOTAL ASSETS	\$ -	\$ 624	\$ 624
<u>FUND EQUITY</u>			
Fund Balance	-	624	624
TOTAL FUND EQUITY	\$ -	\$ 624	\$ 624

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - DEBT SERVICE FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2006

	DEBT SERVICE FUND	HEMATITE TOWNSHIP BUILDING AUTHORITY	TOTALS
<u>REVENUES</u>			
Rental Income	\$ -	\$ 27,163	\$ 27,163
Interest Income	<u>-</u>	<u>8</u>	<u>8</u>
TOTAL REVENUES	\$ -	\$ 27,171	\$ 27,171
<u>EXPENDITURES</u>			
Principal	5,000	25,000	30,000
Interest	<u>2,983</u>	<u>2,162</u>	<u>5,145</u>
TOTAL EXPENDITURES	\$ 7,983	\$ 27,162	\$ 35,145
Excess of Revenues Over (Under) Expenditures	(7,983)	9	(7,974)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	<u>7,983</u>	<u>-</u>	<u>7,983</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	9	9
FUND BALANCE, APRIL 1	<u>-</u>	<u>615</u>	<u>615</u>
FUND BALANCE, MARCH 31	<u>\$ -</u>	<u>\$ 624</u>	<u>\$ 624</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - GENERAL FUND*MARCH 31, 2006***ASSETS**

Cash and Deposits	\$ 202,610
Receivables:	
Taxes	8,054
Accounts	-
Due From Other Funds	<u>3,570</u>
TOTAL ASSETS	<u>\$ 214,234</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Due To Other Funds	<u>50,637</u>
TOTAL LIABILITIES	\$ 50,637

FUND EQUITY

Fund Balance, Designated for Fire Department	3,196
Fund Balance , Unreserved and Undesignated	<u>160,401</u>
TOTAL FUND EQUITY	163,597
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 214,234</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES - GENERAL FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>TAXES</u>			
Current Tax Levy	\$ 71,190	\$ -	\$ -
Commercial Forest/Swamp Tax	20,984		
Adminitstration Fees	<u>2,555</u>	<u> </u>	<u> </u>
TOTAL TAXES	94,729	91,546	3,183
<u>STATE-SHARED RECEIPTS</u>			
Sales Tax	26,542	-	-
Metro Act	<u>2,832</u>	<u> </u>	<u> </u>
TOTAL STATE-SHARED RECEIPTS	29,374	29,672	(298)
<u>CHARGES FOR SERVICES</u>			
Cemetery	6,100	-	-
Fire Services	<u>550</u>	<u> </u>	<u> </u>
TOTAL CHARGES FOR SERVICES	6,650	6,650	-
<u>INTEREST AND RENTAL</u>			
Interest	3,043		-
Hall Rental	<u>500</u>	<u> </u>	<u> </u>
TOTAL INTEREST AND RENTAL	3,543	3,700	(157)
<u>OTHER REVENUE</u>			
Donations	<u>2,979</u>	<u> </u>	<u> </u>
TOTAL OTHER REVENUE	2,979	3,000	(21)
TOTAL REVENUES	\$ 137,275	\$ 3,000	\$ (21)
<u>OTHER FINANCING SOURCES</u>			
Operating Transfer In	-	10,000	(10,000)
Residual Equity Transfer In	<u>7,309</u>	<u> </u>	<u>7,309</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 144,584</u>	<u>\$ 144,568</u>	<u>\$ 16</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>LEGISLATIVE</u>			
<u>Township Board</u>			
Salaries	\$ 1,800	\$ -	\$ -
Fringe Benefits	348		
Legal Services	2,461		
Accounting and Audit	5,385		
Supplies	1,332		
Printing/Publishing	131		
Membership Dues/Education	224		
Mileage	12		
Miscellaneous	1,646		
	<hr/>	<hr/>	<hr/>
TOTAL LEGISLATIVE	\$ 13,339	\$ 14,508	\$ 1,169
<u>GENERAL GOVERNMENT</u>			
<u>Supervisor</u>			
Salaries	10,800	-	-
Fringe Benefits	1,539		
Supplies	7		
Mileage	642		
	<hr/>	<hr/>	<hr/>
Total Supervisor	12,988	12,996	8
<u>Assessment</u>			
Tax Roll Preparation	2,749	-	-
Supplies	219		
Training/Education	113		
	<hr/>	<hr/>	<hr/>
Total Assessment	3,081	3,155	74
<u>Clerk</u>			
Salaries	\$ 8,100	\$ -	\$ -
Fringe Benefits	1,154		
Office Supplies	113		
Supplies	1,017		
Membership Dues/Education	145		
Mileage	350		
	<hr/>	<hr/>	<hr/>
Total Clerk	\$ 10,879	\$ 10,972	\$ 93

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GENERAL GOVERNMENT (Continued)</u>			
<u>Treasurer</u>			
Salaries	\$ 7,800	\$ -	\$ -
Fringe Benefits	1,111		
Office Supplies	150		
Supplies	588		
Mileage	583		
	<hr/>	<hr/>	<hr/>
Total Treasurer	\$ 10,232	\$ 10,362	\$ 130
<u>Board of Review</u>			
Contract Services	378		
	<hr/>	<hr/>	<hr/>
Total Board of Review	\$ 378	\$ 700	\$ 322
<u>Cemetery</u>			
Salaries	\$ 2,437	\$ -	\$ -
Fringe Benefits	347		
Supplies	78		
Gasoline and Oil	275		
	<hr/>	<hr/>	<hr/>
Total Cemetery	\$ 3,137	\$ 3,240	\$ 103
TOTAL GENERAL GOVERNMENT	\$ 40,695	\$ 41,425	\$ 730

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>TOWNSHIP PROPERTY</u>			
<u>Township Hall</u>			
Salaries	\$ 7,412	\$ -	\$ -
Fringe Benefits	2,255		
Supplies	1,017		
Gasoline and Oil	170		
Insurance	9,643		
Utilities	3,100		
Telephone	1,724		
Maintenance and Repair	418		
Hydrant Rental	3,000		
Lease Expense	27,163		
Mileage	249		-
	<hr/>	<hr/>	<hr/>
Total Township Hall	56,151	56,534	383
 TOTAL TOWNSHIP PROPERTY	 \$ 56,151	 \$ 56,534	 \$ 383
 <u>DEPARTMENT OF PUBLIC WORKS</u>			
Streets and Roads :			
Salaries	1,020	-	-
Fringe Benefits	145		
Supplies	10		
Street Lighting	5,977		
	<hr/>	<hr/>	<hr/>
 TOTAL DEPARTMENT OF PUBLIC WORKS	 \$ 7,152	 \$ 7,292	 \$ 140
 <u>PUBLIC SAFETY</u>			
Fire Protection			
Professional Fees/Contracted Services	755	-	-
Supplies	438		
Gasoline and Oil	517		
Insurance	5,630		
Membership Dues/Education	270		
Maintenance and Repairs	877		
Miscellaneous	438		
	<hr/>	<hr/>	<hr/>
 TOTAL PUBLIC SAFETY	 \$ 8,925	 \$ 9,370	 \$ 445

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>RECREATION AND CULTURAL</u>			
Parks			
Salaries	\$ 2,671	\$ -	\$ -
Fringe Benefits	380		
Advertising	84		
Supplies	544		
Gasoline and Oil	305		
Utilities	2,054		
	<hr/>	<hr/>	<hr/>
TOTAL RECREATION AND CULTURAL	\$ 6,038	\$ 6,385	\$ 347
 CAPITAL OUTLAY	 4,000	 -	 (4,000)
 TOTAL EXPENDITURES	 136,300	 135,514	 (786)
 <u>OTHER FINANCING USES</u>			
Transfer to Other Funds :			
Liquor Law Enforcement Fund	243		-
Debt Service Fund	7,983		
	<hr/>	<hr/>	<hr/>
 TOTAL OTHER FINANCING USES	 8,226	 7,983	 (243)
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 144,526</u>	 <u>\$ 143,497</u>	 <u>\$ (1,029)</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - CEMETERY FUND

MARCH 31, 2006

ASSETS

Cash	\$ -
------	------

TOTAL ASSETS	\$ -
---------------------	-------------

FUND EQUITY

Fund Balance	\$ -
--------------	------

TOTAL FUND EQUITY	\$ -
--------------------------	-------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
CEMETERY FUND**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
 TOTAL REVENUES	 \$ -	 \$ -	 \$ -
 <u>EXPENDITURES</u>			
 TOTAL EXPENDITURES	 \$ -	 \$ -	 \$ -
 Excess of Revenues Over (Under) Expenditures	 -	 -	 -
 <u>OTHER FINANCING SOURCES (USES)</u>			
Residual Equity Transfer Out	\$ (7,309)	\$ -	\$ (7,309)
 FUND BALANCE, APRIL 1	 <u>7,309</u>		
 FUND BALANCE, MARCH 31	 <u><u>\$ -</u></u>		

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2006

ASSETS

Cash	\$ -
------	------

TOTAL ASSETS	\$ -
---------------------	-------------

FUND EQUITY

Fund Balance	\$ -
--------------	------

TOTAL FUND EQUITY	\$ -
--------------------------	-------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
LIQUOR LAW ENFORCEMENT FUND**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Grants	\$ 908	\$ -	\$ -
 TOTAL REVENUES	 \$ 908	 \$ 1,293	 \$ (385)
 <u>EXPENDITURES</u>			
Public Safety :			
Constable Wages	1,069	-	-
Fringe Benefits	82		
Supplies	-		
 TOTAL EXPENDITURES	 \$ 1,151	 \$ 1,446	 \$ 295
 Excess of Revenues Over (Under) Expenditures	 (243)	 (153)	 (90)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	243	-	243
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 - 	 (153)	 153
 FUND BALANCE, APRIL 1	 -		
 FUND BALANCE, MARCH 31	 \$ -		

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - AMASA COMMUNITY LIBRARY

MARCH 31, 2006

ASSETS

Cash	<u>\$ 19,939</u>
TOTAL ASSETS	<u><u>\$ 19,939</u></u>

FUND EQUITY

Fund Balance	<u>\$ 19,939</u>
TOTAL FUND EQUITY	<u><u>\$ 19,939</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
AMASA COMMUNITY LIBRARY**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Penal Fines	\$ 5,308	\$ -	\$ -
Interest	117		
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 5,425	\$ 4,500	\$ 925
 <u>EXPENDITURES</u>			
Books and Periodicals	3,355	-	-
Supplies	65		
Telephone	436		
Miscellaneous	127		
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 3,983	\$ 5,600	\$ 1,617
 Excess of Revenues Over (Under) Expenditures	 1,442	 (1,100)	 2,542
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	<hr/> -	<hr/> 1,000	<hr/> (1,000)
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 1,442	 (100)	 1,542
 FUND BALANCE, APRIL 1	 <hr/> 18,497		
FUND BALANCE, MARCH 31	<u><u>\$ 19,939</u></u>		

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - DEBT SERVICE FUND

MARCH 31, 2006

ASSETS

Cash	\$ -
------	------

TOTAL ASSETS	\$ -
---------------------	-------------

FUND EQUITY

Fund Balance	\$ -
--------------	------

TOTAL FUND EQUITY	\$ -
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The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DEBT
SERVICE FUND**

FISCAL YEAR ENDED MARCH 31, 2006

REVENUES

\$ -

TOTAL REVENUES

\$ -

EXPENDITURES

Principal

5,000

Interest

2,983

TOTAL EXPENDITURES

\$ 7,983

Excess of Revenues Over
(Under) Expenditures

(7,983)

OTHER FINANCING SOURCES (USES)

Operating Transfers In (Out)

\$ 7,983

Excess of Revenues and Other
Sources Over (Under)
Expenditures and Other Uses

-

FUND BALANCE, APRIL 1

-

FUND BALANCE, MARCH 31

\$ -

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - HEMATITE TOWNSHIP BUILDING AUTHORITY

MARCH 31, 2006

ASSETS

Cash	\$ 624
	<hr/>
TOTAL ASSETS	\$ 624
	<hr/> <hr/>

FUND EQUITY

Fund Balance	\$ 624
	<hr/>
TOTAL FUND EQUITY	\$ 624
	<hr/> <hr/>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
HEMATITE TOWNSHIP BUILDING AUTHORITY**

FISCAL YEAR ENDED MARCH 31, 2006

REVENUES

Rental Income	\$ 27,163
Interest Income	<u>8</u>
TOTAL REVENUES	\$ 27,171

EXPENDITURES

Principal	25,000
Interest	<u>2,162</u>
TOTAL EXPENDITURES	\$ 27,162

Excess of Revenues Over (Under) Expenditures	9
---	---

FUND BALANCE, APRIL 1	<u>615</u>
FUND BALANCE, MARCH 31	<u>\$ 624</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET - WATER FUND*MARCH 31, 2006***ASSETS**

Cash and Deposits:	
Restricted	\$ 19,954
Unrestricted	37,506
Accounts Receivable	6,457
Due From Other Funds	50,637
Property, Plant and Equipment	1,220,301
Accumulated Depreciation	<u>(29,362)</u>
TOTAL ASSETS	<u>\$ 1,305,493</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Deferred Revenue	414
Bonds Payable	<u>287,000</u>
TOTAL LIABILITIES	287,414

FUND EQUITY

Retained Earnings	<u>1,018,079</u>
TOTAL FUND EQUITY	1,018,079
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,305,493</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
WATER FUND**

FISCAL YEAR ENDED MARCH 31, 2006

OPERATING REVENUE

Charges for Services	\$ 59,329
Miscellaneous Revenue	<u>7,701</u>
TOTAL OPERATING REVENUE	\$ 67,030

OPERATING EXPENSES

Personal Services	5,830
Fringe Benefits	446
Supplies	4,609
Equipment, Repairs and Maintenance	7,302
Water Purchases	7,155
Equipment Rental	287
Insurance	85
Mileage	104
Dues	200
Training	241
Depreciation	<u>19,419</u>
TOTAL OPERATING EXPENSES	\$ 45,678

Operating Profit (Loss)	21,352
-------------------------	--------

NON-OPERATING INCOME

Federal Grant	8,300
Interest Income	358
TOTAL NON-OPERATING INCOME	\$ 8,658

NON-OPERATING EXPENSE

Interest Expense	(13,090)
Cost of Issuance	<u></u>
TOTAL NON-OPERATING EXPENSE	\$ (13,090)

Net Income (Loss)	16,920
-------------------	--------

RETAINED EARNINGS, APRIL 1	<u>1,001,159</u>
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RETAINED EARNINGS, MARCH 31	<u>\$ 1,018,079</u>
------------------------------------	----------------------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CASH FLOWS - WATER SUPPLY SYSTEM FUND*FISCAL YEAR ENDED MARCH 31, 2006***CASH FLOWS FROM (USED BY)****OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 60,063
Other operating revenues	7,701
Cash payments to employees for services	(6,276)
Cash payments to goods and services	(19,983)
Other operating expenses	-

NET CASH FROM OPERATING ACTIVITIES	\$ 41,505
---	------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	3,249
Net operating transfers in (out)	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	3,249
---	--------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(8,289)
Principal payment on long-term bonds	(8,000)
Interest paid on long-term bonds	(13,090)
Cost of Issuance - Bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	8,300

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (21,079)
--	--------------------

INVESTING ACTIVITIES

Interest Income	358
-----------------	-----

NET CASH FROM INVESTING ACTIVITIES	\$ 358
---	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,033
---	--------

Cash and Cash Equivalents, Beginning of Year	33,427
--	--------

Cash and Cash Equivalents, End of Year	\$ 57,460
---	------------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF CASH FLOWS -WATER SUPPLY SYSTEM FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income \$ 21,352

Adjustment to reconcile operating
income to net cash provided by
operating activities:

. Depreciation 19,419

. Provision for uncollectible accounts -

. Changes in assets and liabilities :

(Increase) Decrease in accounts receivable 528

Increase (Decrease) in accounts payable -

Increase (Decrease) in deferred revenue 206

Increase (Decrease) in customer deposits -

NET CASH FROM OPERATING ACTIVITIES \$ 41,505

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND

FISCAL YEAR ENDED MARCH 31, 2006

	<u>Balance</u> <u>3/31/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/2006</u>
<u>ASSETS</u>				
Cash	\$ 202,582	\$ 544,588	\$678,038	\$ 69,132
TOTAL ASSETS	<u>\$ 202,582</u>	<u>\$ 544,588</u>	<u>\$678,038</u>	<u>\$ 69,132</u>
<u>LIABILITIES</u>				
Due to Other Funds	86,731	86,768	169,929	3,570
Due to State of Michigan	35,150	35,453	35,150	35,453
Due to Schools	37,207	188,716	216,790	9,133
Due to DIISD	4,396	22,993	26,411	978
Due to County	38,960	209,853	228,865	19,948
Due to Other	138	805	893	50
TOTAL LIABILITIES	<u>\$ 202,582</u>	<u>\$ 544,588</u>	<u>\$678,038</u>	<u>\$ 69,132</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Hematite Township
Amasa, Michigan 49903

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **Hematite Township** as of and for the year ended March 31, 2006, which collectively comprise **Hematite Township's** basic financial statements, and have issued our report thereon dated June 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Hematite Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

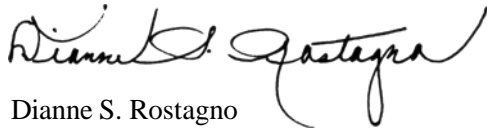
We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Hematite Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of **Hematite Township**, Amasa, Michigan, in a separate letter dated June 12, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" and last name "Rostagno" clearly distinguishable.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 12, 2006

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board
Hematite Township
Amasa, Michigan 49903

In planning and performing the audit of the financial statements of **Hematite Township**, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated June 12, 2006, on the financial statements of **Hematite Township**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

BUDGETS

Problem

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated.

During the fiscal year ended March 31, 2006, the Township incurred several expenditures which were in excess of the amounts appropriated.

Recommendation

Periodically, budgeted amounts should be compared to actual expenditures, and the budget should be amended accordingly.

Problem

In conjunction with the prior audit, it was noted that budget formats were inconsistent with the financial statements, and were dissimilar from the original adopted budget to the final amended budget. This created difficulty in budgetary comparisons, as all three were presented in a different format.

Recommendation

It was recommended that Budgets be adopted using the same format as presented in the financial statements. The Township should utilize the capability of incorporating the budget into the financial statements, whenever possible, to enhance its usefulness to the Board, and to provide a better basis for decision-making by Township officials.

Hematite Township
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BUDGETS (Continued)

Resolution

This has been satisfactorily resolved.

CHART OF ACCOUNTS

Problem

In conjunction with the prior audit, it was noted that the State of Michigan has established a uniform chart of accounts, to be used by all municipalities in the State of Michigan. The Township was not properly utilizing this chart of accounts. Although each account type (assets, liabilities, revenues, and expenditures) has a standard range under this system, the Township was using some account numbers incorrectly. For example, expenditure numbers are incorrectly being used for revenues, etc.

Recommendation

It was recommended that the Township review each account number and account type, and correct these numbers as required by the State of Michigan. Departmental headings should be set up and reflected on the financial statements.

Resolution

The format of the financial statements has been greatly improved. Departmental headings have been set up. However, some problems continue to exist with the use of account numbers.

Current Recommendation

The Township should review each account type and number, and correct the chart of accounts as necessary.

CASH RECEIPTS

Problem

It was noted on the prior audit that remittance advice documents were not consistently being retained, and receipts were not being prepared for all monies received by the Township.

Recommendation

It was recommended that a pre-numbered three part receipt book should be utilized for ALL monies collected and deposited. The receipt should indicate the amount of cash and checks received.

Resolution

No problems were encountered this year regarding receipt documentation. However, pre-numbered receipt books are not being fully utilized for all incoming monies.

Current Recommendation

All monies collected and deposited should be recorded in pre-numbered, three-part receipt books.

PAYROLL REPORTS

Problem

In conjunction with the prior audit, it was noted that forms 941 forms were filed after changes had been made to the original draft. No copy of the final report was retained by the Township, so there was no record of the actual numbers reported.

Recommendation

It was recommended that a copy of all important documents be retained by the Township office. Quarterly payroll summaries corresponding to the quarterly 941 forms should be attached to the Township copy and kept on file to document the reported totals.

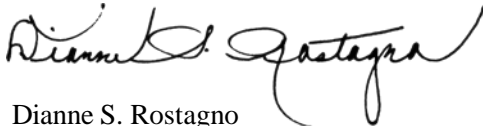
Resolution

This has been satisfactorily resolved.

We wish to thank the Township's Supervisor, Clerk, and Treasurer for their support and assistance during our audit.

This report is intended solely for the information and use of the Township Board.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" being more prominent.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 12, 2006